

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 694 - SB 729**

April 5, 2019

**SUMMARY OF BILL:** Requires the Department of Financial Institutions (DFI) to implement a common database with real-time access through an internet connection for persons who are licensed to offer flex loans pursuant to the Flexible Credit Act, and to persons who are licensed to provide deferred presentment services pursuant to the Deferred Presentment Services Act, both of which are defined as “licensees” under the legislation. Authorizes DFI to enter into a contract with a single-source private vendor to develop and operate the database.

Requires the database to be created and accessible to the DFI by January 1, 2021. Requires licensees, on or after January 1, 2020, to submit certain data to the database about a person seeking deferred presentment services or a flex loan plan, both before entering into a transaction and when a transaction has been paid in full. Requires DFI, on or after July 1, 2019, to impose a fee on a licensee not to exceed \$0.56 per transaction for data required to be submitted by the licensee. Authorizes a licensee subject to such a fee to charge the customer seeking the transaction an amount equal to the fee, in addition to interest or any other authorized fees or charges.

Requires licensees to disclose to customers, prior to offering a flex loan or providing deferred presentment services, that licensees are required to check the database to determine whether there are any outstanding flex loan plans or deferred presentment transactions held by other licensees for the person. Creates a Class C misdemeanor offense for any person that makes any false or misleading statements to a licensee. Authorizes a licensee, after submitting the required information to the database, and if the database check shows that the customer has not exceeded limits allowed under the Flexible Credit Act or Deferred Presentment Services Act, to complete the flex loan plan or a deferred presentment transaction with the customer.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – \$2,019,200/Recurring/Department of Financial Institutions**

**Increase State Expenditures –**

**Exceeds \$1,335,900/One-Time/Department of Financial Institutions**

**\$661,200/Recurring/Department of Financial Institutions**

Assumptions:

- Based on information provided by DFI, the total number of annual flexible credit loans is estimated to be 180,750, and the total number of annual deferred presentment services transactions is estimated to be 3,424,943, for a total of 3,605,693 annual transactions on which the fee not to exceed \$0.56 per transaction is authorized to be charged. This number is assumed to remain constant into perpetuity.
- The DFI will impose the maximum fee of \$0.56 per transaction.
- The recurring increase in state revenue to the DFI is estimated to be \$2,019,188 (3,605,693 transactions x \$0.56 per transaction).
- According to the Department, the Administrative Division of the DFI will require four additional Accountant 3 positions. Two Accountant 3 positions will be needed on a recurring basis for invoicing, billing and cashiering of the imposed fees, and to establish internal controls for operational and general ledger accounting over cash and related deposits. The other two positions will be required on a one-year basis to perform the tasks associated with verifying transactions, invoicing, and collecting fees from licensees up until the database is fully developed.
- The one-time increase in state expenditures associated with the four Accounting 3 positions is estimated to be \$2,880 for computer costs and supplies.
- The recurring increase in state expenditures associated with the two Accounting 3 positions is estimated to be \$163,336 for salaries (\$113,280), benefits (\$31,936), and other (\$18,120).
- The one-time increase in state expenditures associated with the other two Accounting 3 positions is estimated to be \$163,336 for salaries (\$113,280), benefits (\$31,936), and other (\$18,120).
- The Compliance Division of the DFI will require an additional Bank Financial Analyst position to collect, verify, and handle the administration of the information from the database, and an additional Loan Examiner 4 position to pull information, deconstruct, and analyze the database information, which would include research of violations, ensuring the database is correct, and discerning which loans caused violations, and documenting their findings.
- The one-time increase in state expenditures associated with these two positions is estimated to be \$1,440 for computer costs and supplies.
- The recurring increase in state expenditures associated with these two positions is estimated to be \$196,933 for salaries (\$143,328), benefits (\$36,925), and other (\$16,680).
- Pursuant to this proposed legislation, licensees must submit all required data within 24-hours of receipt, and will require DFI contract with a third party vendor to staff a 24 hour customer service center or help desk to address technical issues raised by licensees or departmental personnel. It is estimated that three information technology contractors would cost \$60,000 per year, for a total recurring increase in state expenditures of \$180,000.
- Based on information provided by DFI, one-time costs of development of the database are estimated to exceed \$1,188,284.
- The recurring increase in state expenditures associated with the maintenance of the database is estimated to be \$120,456.

- The total one-time increase in state expenditures as a result of this legislation is estimated to be \$1,355,940 (\$2,880 + \$163,336 + \$1,440 + \$1,188,284).
- The total recurring increase in state expenditures to the Department as a result of this legislation is estimated to be \$661,176 (\$163,336 + \$196,933 + \$180,000 + \$120,907).
- There will not be a sufficient number of prosecutions for state or local government to experience any significant increase in revenue or expenditures.

**IMPACT TO COMMERCE:**

**Increase Business Revenue – Exceeds \$1,000,000/One-Time  
\$2,019,200/Recurring**

**Increase Business Expenses – Less than \$1,000,000/One-Time  
Exceeds \$2,019,200/Recurring**

**Other Impact – The additional imposition of the fee on licensees’ customers could result in a decrease in the total number of business transactions, the number of flex loans issued, and the number of deferred presentment service agreements transacted. Due to many unknown factors, any impacts on the industry or the number of private sector jobs associated with the industry cannot be determined with reasonable certainty.**

Assumptions:

- A \$0.56 fee will be imposed on each transaction entered into by licensees. The total number of annual transactions that the fee will be imposed upon is estimated to be 3,605,693.
- The resulting recurring increase in business expenses is estimated to be \$2,019,188 (3,605,693 transactions x \$0.56 per transaction).
- All licensees will charge their customers entering into such transactions an additional amount equal to the \$0.56 fee, pursuant to the express authorization to do so under this Act.
- The resulting recurring increase in business revenue is estimated to be \$2,019,188.
- Licensees will incur additional expenses to ensure compliance with the provisions of this Act. The exact amount of such increase is unknown; however, the total increase in business expenses resulting from this bill is estimated to exceed \$2,019,188.
- The additional imposition of the fee on licensees’ customers could result in a decrease in the total number of business transactions or the total amount of flex loans issued and the number of deferred presentment service agreements transacted. Due to many unknown factors, any impacts on the industry or the number of private sector jobs directly associated with such decreases cannot be determined with reasonable certainty.

- The third-party vendor will realize a one-time increase in revenue of at least \$1,000,000 for development of the database. The one-time increase in business expenditures associated with such development is estimated to be less than \$1,000,000.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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